

Exploring Financial Accountability of Small Faith-Based Organizations

Operating in an East African Context

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Abstract

In the eyes of the Western public, financial accountability plays a crucial role in determining credibility of faith-based organizations (FBOs). Challenges at coherently reporting this information grow more complex when the Western FBO operates in the global South. This thesis explores accountability issues that exist for small Western FBOs working in the East African context of Uganda and Kenya. The paper considers the East African perspective on the Western idea of financial accountability. The paper stresses the importance of knowing the local culture and the need to take time to build trust, relationships, and an effective governing structure when operating an FBO in East Africa. Preliminary conclusions suggest that attaining sound financial accountability is possible, but Westerners and East Africans must collaborate to design compatible accountability systems in order to achieve the shared goals of credibility and transparency to Western FBO donors.

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Exploring Financial Accountability of Small Faith-Based Organizations
Operating in an East African Context

Recent discussion on a TV news program indicated that Western donors are keeping a closer watch on their charitable giving to Africa (Rose, 2011). With refugee camps swelling in numbers brought on by the Somalia drought, there is colossal need for global aid in Kenya, but as journalist Charlie Rose (2011) noted, “The fear always is that the aid that is given will not be received by the right people” (10:09). Valerie Amos, the UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, responded:

I know people are really worried about that. . . . We have made every effort to make sure that the money and the food and the supplies go to the people who need it. I can't guarantee that 100% of it will do that. I don't think anybody could. . . . But the majority of it will and people need to be assured about that (Rose, 2011, 10:15-10:43).

To some donors and agencies, acknowledgement that there is no guarantee what percentage of aid will reach its intended beneficiaries may be seen as a version of informed consent and is therefore an acceptable response. Others in the Western public may need greater assurance, having listened in 2011 as the media reported financial mismanagement of various nongovernmental organizations (NGOs), including some headed by well-known names such as Greg Mortenson and Madonna (Fessler, 2011). Nonprofit consultant Gary Snyder (2011) compiled details of about 300 fraud cases after he looked at “tens of thousands” (p. 12), exposing the sobering truth of charity malfeasance in the United States. The United Kingdom's Charity Commission (2011) reported similar trends in financial fraud.

At a time when excellent financial accountability is increasingly perceived as essential for legitimacy, whether large or small, “celebritized” or not, no NGO can afford to ignore its responsibilities in this area. For Christian faith-based organizations (FBOs), one can reason that the importance of credibility is escalated, for “those who have been given a trust must prove faithful” (1 Corinthians 4:2) and as Bornstein (2005) pointed out, FBOs are often seen as “fitting in to an ‘angelic typology’” (p. 130). The demand for financial accountability is clear; however, understanding accountability is not so simple.

Consider the small Western FBO that operates in an East African culture. Does the FBO modify its established accountability methods in response to the real situation on the ground in Africa? Or is the East African expected to accept and adapt to Western accountability processes? Instead of using funds the way its donors from the outside world have requested, should the FBO reallocate donor money to help with more pressing local needs? How would that change be reported, or is it reported at all? When operating in East Africa, with whom does responsibility for financial accountability ultimately lie?

This paper provides information to help answer these questions and more, as it explores issues of financial accountability in small FBOs operating in the East African context of Uganda and Kenya. For the purposes of this paper, a small FBO is defined as an organization adhering to Christian beliefs and having no more than 20 staff members. Interest in this topic was triggered by my experiences as a former volunteer and donor for a Western FBO that operated in Uganda. I was further motivated by lessons learned through my ongoing and incomparable friendships with East Africans. As a Westerner and outside observer I considered the East African perspective on the idea of financial accountability. Therefore I endeavored to bring a blend of perspectives to this thesis.

The Complexity Begins: A Brief Look at Two Terms

To some Westerners, the phrase “financial accountability” conjures up images of spreadsheets, receipts, IRS forms, and financial statements. The focus is on the bottom line, and whether or not the numbers add up correctly. To others, financial accountability involves being responsible only to God. *Merriam-Webster’s* (1996) defined accountability as “the quality or state of being accountable; especially: an obligation or willingness to accept responsibility or to account for one’s actions.” But there are many accountability facets for an FBO to consider, particularly when based in the West but doing international work. It is important to remember that accountability is not a one-way street. For example, an American FBO working internationally must be accountable to its donors and to its team in the U.S., but also to the people it is serving in an entirely different context abroad. In return the beneficiaries must be accountable to the FBO about expenditures. Also, the FBO may be accountable to the IRS, depending on what kind of FBO it is.

But what exactly is the definition of an FBO? According to the U.S. Government Accountability Office there is no federal definition of a faith-based organization, and no plans to develop a definition (GAO, 2006). The White House Office of Faith-Based and Community Initiative stated concern over “the practical and legal difficulties inherent in developing a uniform definition for what constitutes an [sic] faith-based organization” (GAO, 2006, para. 10). Therefore, in the U.S. whoever declares to have a faith element included in their organization may be defined as an FBO. Some small FBOs must file a version of IRS Form 990, but most churches are exempt from filing (IRS, 2009, p. 22). For those that are exempt, financial reporting to the public is voluntary, making it difficult for “charity watchdogs” such as

CharityNavigator.org to measure their overall financial health and accountability (Charity Navigator, 2011).

While financial reporting is important, FBOs working internationally will encounter varying circumstances in the field, sometimes rendering a “tried-and-true” American bookkeeping procedure useless. Regarding Western accounting methods, Lederleitner (2010) argued that “to blindly export processes without first examining the context is foolish. We cannot expect the processes that work in our own cultural context to have the same meanings or outcomes in another” (p. 113). Any FBO engaged in a cross-cultural partnership should heed this observation. One finds many differences affecting Western processes in East Africa, from a lack of computer equipment and software availability, to the ways in which receipts are created, to whether donor money is received by an overseas bank or by a local community member through Western Union. Many aspects combine to produce financial accountability. Beyond “export” of processes, the subject of financial accountability becomes even more complicated.

My friends in East Africa favor storytelling as a means of communicating difficult topics. With this in mind, in the next section I stray from traditional thesis writing and convey my personal story to further explain how I was pushed to think about the subject of financial accountability.

The Uganda Backstory

Multiple trips to Uganda resulted in a significant shift of focus for this thesis research. My heart was originally set on learning how to help rehabilitate a population of former child soldiers, using artistic expression such as painting, drama, and music. After spending quality time with Ugandans, instead of examining the role of art therapy in healing traumatized youth I began exploring financial accountability of FBOs operating in East Africa. Why the drastic

change in topic? With each trip, I grew more aware not only of the culture in general, but of how the locals viewed their association with Western FBOs. It became apparent that some FBOs and the African populations they seek to serve were using questionable financial accountability methods.

Many Ugandans I spent time with were eating¹ the donor money coming from the U.S. This initially took me aback, partly because some of that donor money was mine. For many months I sent school fees to an FBO in America to support two Ugandan high school boys whom I had met while volunteering for that FBO. Yet, these youth and others receiving sponsorship through the same FBO, were intermittently denied entrance at the gate of their high school; they were told that their school fees had not been paid. This schedule disruption was detrimental to the students' progress. After failing to receive a satisfactory explanation from the American founder of this FBO, and knowing that I had paid all school fees on time every month for the better part of a year, I was determined to get to the bottom of this.

Not all Americans who donate to FBOs or NGOs are in a position to actually visit the country or population they are assisting. But since I was conducting my thesis research in Uganda, I decided to visit the high school where my money was supposed to be landing. When I went there in late summer, the school's bursar informed me that the FBO had not yet paid for any of the current school year (S. Namonyo, personal communication, August 20, 2010). Apparently the FBO had paid some money in the current year, but those funds were applied to the prior year's past-due school fees. For the current year, the FBO account remained delinquent. Unless all fees were paid, the students registered as members of this FBO were in danger of not receiving their exam scores and completion certificates, and would be required to

¹ To "eat money" in East Africa comes from the Swahili language "kula pesa" which means to take money intended for a particular project, for personal use (R. Nalugala, personal communication, August 18, 2011).

repeat the entire year. All of their time and effort would be wasted. I was dumbfounded, since the FBO had led me to believe my money would be used to sponsor two specific boys for the current school year. At this point, I had no idea how my monthly donation had been used. Was it applied to the prior year's school fees for students whose identities I did not know, or, had the FBO used my money for something else entirely?

When I returned to America and again contacted the FBO founder, she became defensive. She insisted that she was "simply behind" in payments and claimed that I had no authority to go to the school and talk to the bursar about this matter (Founder,² personal communication, September 29, 2010). Immediately after my communication with her, the founder solicited her donors asking for school fee money (personal communication, September 30, 2010). The good news is that she received money and eventually paid the school fees. However, I never received an answer as to what exactly happened to the money I had personally donated throughout the year.

The founder's defensive reaction toward me was just one of many red flags that sprung up during my association with her FBO. As noted by Lederleitner (2010), such behavior offers clues that a culture of fraud may exist (p. 177). Fraud is "any act, expression, omission, or concealment calculated to deceive another to his or her disadvantage" (*Merriam-Webster's*, 1996). Indeed, over the course of two years I learned that instead of using donor money for the purposes specified by the FBO's benefactors, the FBO's Ugandan leaders used much of it for themselves and their families. Some money went to their basic needs such as food and clothing. But they also purchased items indicative of a higher income level such as televisions, a

² Name withheld to protect privacy.

motorcycle, a car, and one young man even built a small house.³ Upon learning these things I was struck by surprise and disbelief. This was supposed to be a Christian organization. Had I been naïve to think that because the FBO claimed to promote Christianity, that those entrusted with running the projects would hold beliefs that coincide? Were the Ugandan leaders genuinely interested in God's Word, or were they only aligning themselves with this FBO for possible financial gain? These young men were well practiced at the art of deception. Bizarrely, the American founder seemed oblivious to the actual extent of misconduct going on beneath her nose. I attributed this partly to the fact that she believed her Ugandan leaders could do no wrong. The young men she had in charge were her personal favorites. Favoritism is a sign of poor governance, which will be discussed later in this paper. Interestingly, several of her favorites were those who informed me of the dishonesty within the organization. They told me that the American was aware of some of the deceit and that in fact, she was guilty of some deceptive tactics herself. However, with regard to the larger "luxury" items they had purchased, the young leaders had kept the American founder completely in the dark. They had no plans to tell her the truth, and they kept each other's secrets as a band of brothers in solidarity. One leader⁴ frequently said to me with a laugh, "Who is fooling who here?" (personal communication, August 5, 2010). The more time I spent with him and the other members of this FBO, the more I understood the irony of his question.

For example, although the organization's web site claimed to provide services to former Ugandan child soldiers and went on to tell autobiographies of these alleged victims, not all

³ Multiple Ugandan informants from within the organization tipped me off to these activities; I then personally verified the purchases.

⁴ Name withheld to protect privacy.

portrayed as such had actually been abducted and forced to serve with the Lord's Resistance Army. This organization encouraged false or exaggerated stories from children and youth. One boy⁵ was told that he had a better chance of getting an American sponsor if he embellished the story of his life (personal communication, June 15, 2010). As a result, he claimed to be a former child soldier, hoping to gain extra sympathy. According to an adult⁶ who knows this boy well, the organization founder "encourages them to write their stories, and it seems they think the more graphic and scary, the better chance they have of getting sponsored" (personal communication, June 15, 2010).

Apparently the founder encouraged her local leaders to fabricate stories also. As one young man⁷ revealed:

Whenever she comes to Uganda, she instructs those boys to write something that will get the sympathy of the Americans and she will edit it and post it to the web and go spread it in the church. So eventually innocent Americans fall prey. Ta-da! Money in the bank, and this has been going on for years now. (personal communication, October 1, 2010)

I wondered whether such trickery was unique to this particular FBO, or if other Western FBOs operating in East Africa experienced similar internal corruption resulting in poor financial accountability. I began to study East African culture more in depth, and to search for pertinent information on financial accountability of small Western FBOs operating in that context.

⁵ Name withheld to protect privacy.

⁶ Name withheld to protect privacy.

⁷ Name withheld to protect privacy.

The Rest of the Story

Literature

I found scholarly literature related to my particular topic to be limited. The lack of specific information further motivated me to produce work in this area. I located academic papers on leadership, governance, and accountability of NGOs in East Africa written by scholars such as Wanyama (2002) but none were specific to FBOs, or to Western FBOs in this context. Bediako (2004) offered perspective on African Christianity, helping to contextualize the problem of financial accountability. I reviewed Hofstede, Hofstede, & Minkov (2010) as well as other authors' works containing applicable theories on culture, community development, and governance. I also reviewed popular works such as the 2011 book by Snyder, *Silence: The Impending Threat to the Charitable Sector*, as it shared valuable insight on charity fraud conditions in the U.S. While helpful, it discussed mostly larger Western nonprofit organizations and I believe that not all of the advice for attaining financial accountability would be transferable to an East African context. The complexity of financial accountability, the heterogeneity of the East African NGO sector, the heterogeneity of the Western FBO sector, and the cross-cultural considerations made this a challenging topic on which to gather material.

Methodology

My qualitative research included personal interviews, field observations in Uganda, and review of the aforementioned literature. The nature of this topic called for a blend of perspectives but most importantly I needed input from East Africans. The East African viewpoint came as a result of in-person interviews with Ugandans as well as email, phone, and Skype conversations with Kenyans and Ugandans. Within my time constraints I had trouble obtaining

willing participation from established Western FBO leaders who operate in East Africa. There are two reasons for this. First, there is no clear-cut method to locate small FBOs in the U.S. even if they do file a Form 990. Secondly, several that I contacted either did not respond or chose not to discuss this topic. Consequently their voice is not well represented here. While my own experience is a subjective case I would argue that just as human beings learn from mistakes, one frequently learns much from being a part of a system that does not work. By incorporating a personal vignette my intent was not to offend nor to pinpoint abuse, but to help inform and improve accountability in this area of the FBO sector.

Through my exploration, hidden within multiple layers of cross-cultural complexity, I found common themes emerging that point to root causes of poor financial accountability. These include the Westerner's cultural ignorance, and lack of collaboration with East Africans in the development process and governance of projects. Many well-meaning Westerners begin operating FBOs in East Africa without taking the time to do research that would help them to prevent poor financial accountability. This includes learning the basics of East African culture.

Important Aspects to Consider

Individualism and Collectivism

Students of culture are familiar with Geert Hofstede and his national culture research from the 1970s but many Westerners who start NGOs in East Africa have not taken the time to study these comprehensive findings (Hofstede, Hofstede, & Minkov, 2010). Hofstede found important dimensions that differentiate cultures. One of the most significant dimensions has to do with the difference between individualism and collectivism. For *individualistic* cultures, Hofstede et al. (2010) said that “the ties between individuals are loose” (p. 92) as people learn to

look after themselves and their nuclear family only. In *collectivist* cultures, people “are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty” (Hofstede et al., 2010, p. 92); so collectivists look out for their family but also for their clan or community, and think in terms of *we* rather than I. According to Hofstede et al. (2010), most people in the world live in collectivist societies, including East Africans. East Africans, then, tend to feel involvement and responsibility in each other’s lives, evoking a communal identity. In contrast, the U.S. ranked highest on the “Individualism Index” (Hofstede et al., 2010, p. 95); U.S. citizens expect to be self-reliant, with independent identities. To help demonstrate differing viewpoints between these two groups and how financial accountability may be affected, let us turn to the subject of money.

A Candid Look at Money

As noted by Hofstede et al. (2010), money means different things to people in different cultures. In the individualistic U.S. “we are taught not to talk about it or ask about it, except with a limited number of people in a limited range of circumstances” (Klein, 2007, p. 385). While the subject may be taboo in the U.S., it is vital for a Westerner operating an FBO in East Africa to understand how money is seen in that context. It is impractical to expect financial accountability from East Africans without first trying to understand an East African’s view of money in general.

Anthropologist David Maranz (2001) offered 90 observations representing African behavior when it comes to personal finances. Maranz acknowledged that the continent of Africa contains many different cultures and local behavior variations and that his insights do not necessarily apply to everyone in Africa. But his compilation concurred with my own experiences in East Africa. Maranz’s work was also validated by his African friends and

colleagues, some of whom contributed sections to his book. Maranz (2001) presented this perspective on how collectivism affects African economics:

The African traits of building broad relationships, and the openness to sharing food and other essentials were strategies that were developed in order to cope with continual tragedy and loss. Survival depended upon having friends and supporters among those who outlived the frequent disasters. People learned that it was essential to share their meager resources with others because they might be the next ones to be in need. And in the midst of Africa's troubles today, these coping strategies are still very much needed and practiced. . . . the distribution of economic resources so that all persons may have their minimum needs met, or at least that they may survive . . . is the African social security system. (p. 2-4)

This concept of sharing resources can sometimes lead to misunderstandings between the Westerner and East African, as they are working from two different mindsets. The observation that in Africa "the financial need that occurs first has first claim on the available resources" (Maranz, 2001, p. 14) together with the observation that "a person to whom money or other resource is entrusted has a major say in how that money or resource will be used" (p. 36) may well affect an FBO's designation of funds. When a local leader in East Africa receives donor money from a Western FBO, that leader is in a decision-making position of power. Does he or she allocate the money exactly as the FBO or donor instructed? Or is some portion to be shared with that FBO leader's extended family?

The Local Leader's View

One local NGO leader⁸ who works with impoverished children in Kenya asserted that “if you have a heart for another human being, the decision is easy” to use 100% of donor money for the NGO’s beneficiaries (personal communication, July 31, 2011). He acknowledged, however, that for those leaders who are “very tricky” it is possible to cover up diversion of funds by modifying the documentation sent back to a Western NGO. He emphasized that “it all comes down to trust” between the NGO and local leadership (personal communication, July 31, 2011). Certainly placement of trustworthy individuals in leadership positions is key. But how does an outsider determine who can be trusted to run the project on the ground?

A local leader’s behavior regarding funds distribution also depends on his or her view of FBO “ownership.” As one friend from Africa pointed out:

People share what belongs to them. They don’t share what they don’t possess. Consequently they should not share the belongings of the FBO because they do not own it. The problem is that many local/foreign FBO leaders behave as if they own the FBO, therefore feeling entitled to change allocation rules as they see fit. (C. Tindano, personal communication, August 21, 2011)

Along these same lines, Fowler, Ng’ethe and Owiti (2002) discussed the view of NGO leadership as “ownership” in their study of nongovernmental developmental organizations (NGDOs) in Kenya, noting that in East Africa “an NGDO is known by the leader, not the organization as such—it is ‘his’ or ‘her’ NGDO. It is personally owned” (p. 4).

⁸ Name withheld to protect privacy.

Fowler et al. found that:

Social life, relations and obligations in Kenya are important, complex and never ending. To be a true 'son or daughter of the soil' requires delivering something back home. There are expectations that, once you are a leader, you can and will provide. . . . This is where the line between what is yours to give and what belongs to the NGDO comes under serious stress. . . . Not to 'eat' and personally benefit from the organization you lead is considered an act of stupidity. (p. 16)

This kind of leader may believe that he or she is simply carrying out expected duties, as others in the family or society are pressuring the leader to reallocate funds.

The discussion surrounding accountability of NGOs is not news to the East African public; in fact it is a topical focus, according to Kenyan scholar Reginald Nalugala (personal communication, July 8, 2011). One East African news media source recently editorialized:

The founders of some of these agencies have literally turned them into family businesses so that one wing operates under one member of the family, another is under the management of a second member of the same family, etc., etc., with the head of the family standing as the managing director or other similarly prestigious position. Some presumed orphanages assume the shape of genuine children's homes or rehabilitation centres only when visited by the individuals or institutions funding them. No sooner have the VIP guests left than the centres resume the family business form. ("How seriously are NGOs, CBOs and FBOs audited?" 2011)

My research uncovered similar situations in Uganda. I visited one project where almost everyone was a member of the same family yet the Western FBO believed it to be a large orphan group, and marketed it as such to donors. When the American founder visited the so-called orphan project, the in-country leaders made certain that additional children were present by enticing them there with the promise of food or soda. The project was actually much smaller than what the American founder believed. But the American reported to her donors back home about the multitude of orphans in need, and asked for more sponsorship money. For Westerners far removed from these organizations, the smoke and mirrors continue to work. Christian donors may blindly trust a Western FBO leader on the basis of religious affiliation, while that Western leader blindly trusts an East African leader who may be deceiving. Even when truths are revealed, it can be difficult to accept the reality. “You want to believe your organization is one that won’t get duped,” acknowledged one Western FBO founder⁹ (personal communication, June 24, 2011).

It could, however, be argued that a local leader’s power to reallocate funds should not be seen in such a negative light. For example, let us say that a Western donor sends money through an FBO for the purchase of school shoes for five children. However, at the time that money is received in East Africa, a different child in the village is ill with a life-threatening case of malaria. The child’s family has no money to pay for treatment. The local leader who received the money from the FBO makes the decision to help the family and uses the donor money to pay for treatment to cure the malaria. What kind of FBO would argue that it was wrong to save this child’s life? Yet, whether or not the East African will reveal the reallocation largely depends on his or her relationship with the FBO home base. Prior experience may have taught the local to

⁹ Name withheld to protect privacy.

keep silent about the change, out of fear that the FBO or donor will no longer send money for school shoes in the future. On the other hand, if the East African gives an honest account of what happened it is then up to the FBO whether or not to relay the information on to the donor.

Meanwhile we have five children without school shoes, and the school will not allow them to enter the premises without proper shoes. One child becomes upset and figures out how to contact the donor by email to complain about not receiving the shoes. At this point, if the FBO has not yet informed the donor about the malaria case, the unaware donor may become angry with the FBO for not buying school shoes. This is the kind of situation where honesty and transparency, or lack thereof, can affect financial accountability and credibility.

MinistryWatch.com president Rusty Leonard spoke about how Christian charities “really don’t trust the maturity level of their donors” (Roth, 2010, 0:24); this can lead to an FBO hiding information. An FBO should not be afraid to inform a donor about how his or her funds were actually used. Transparency is the honest approach but also as Leonard noted, it is a gesture of respect toward the donor (Roth, 2010). It is difficult to imagine that a donor would be upset with an FBO for treating a life-threatening malaria case rather than buying school shoes.

In the “Uganda Backstory,” the Ugandans were not transparent about all of their purchasing activities. A donor might understand use of the money to assist the Ugandans’ extensive families with basic needs, but would probably question the purchase of a television or a car. To a Westerner these items are likely not seen to be necessities in Uganda. From a Western donor’s perspective, the Ugandans are being dishonest. But the Ugandans may believe they are fulfilling a duty to family. This brings into question the acceptable life standards for local FBO workers (Tindano, personal communication, August 21, 2011). Perhaps the Ugandans should be paid wages for their work, rather than be expected to volunteer. In this particular

FBO, there is also another problem. Having found “a weakness” in their American founder, the Ugandan leaders can continue to con her and “enjoy the free money” (Nalugala, personal communication, August 18, 2011).

During my research I asked 10 members of this Ugandan FBO a set of questions that included “If you could change just one thing about your organization, what would it be?” Unanimously, the responses pertained to making changes in the leadership. Even the leaders complained about the leadership. Several young men suggested that wages should be paid which would stop the leaders from eating money intended for beneficiaries. But one boy¹⁰ asserted, “Really nothing will change until she (the founder) changes” (personal communication, August 26, 2010).

The leadership issues in this FBO could be avoided with an effective structure of governance, one that uses an efficient system of checks and balances, and perhaps a system of compensation as well. The governance discussion will continue in a later section of this paper.

Moving Toward Accountability

It Takes Time

Having studied some key aspects of culture with regard to relationships, money, and leadership, one should recognize the rationale behind some of the decisions an East African may make concerning funds allocation. However, to read about culture is to barely scratch the surface; it is not the same as experiencing it. Even short-term mission trips, while helpful, do not make a Westerner culturally competent. As noted by Livermore (2006), “Many missionaries are concerned that the very nature of a short-term trip creates a temporary approach to things that

¹⁰ Name withheld to protect privacy.

require more long-term solutions” (p. 57). Westerners who return from short-term mission trips eager to help a third world population often decide to establish their own FBO. By rushing to help, they may do more harm than good. “Our desire to ‘Just do it’ comes from a short-term perspective rather than a long-term vision” (Livermore, 2006, p. 107). Surely establishing a method for sound financial accountability is not the first thing on a Westerner’s mind when hurrying to set up an FBO in East Africa.

I asked the local leader of an NGO in Kenya what he would say to an American wanting to ensure financial accountability when operating a new FBO in Kenya. More than anything, he advised *against* starting a brand new organization. Certainly, there is no shortage of NGOs in Kenya; in 2005 there were already over 4,000 registered, though it is unclear how many of those were FBOs (Kanyinga & Mitullah, 2007). “Come and stay in Kenya for a long time first,” this leader¹¹ advised (personal communication, August 1, 2011), “however long it takes to get to know the culture and also the government processes. The law of the country is one of the most important things to know. And then, don’t just ignore it” (personal communication, August 1, 2011). He speaks from having witnessed what the American founder of his organization failed to do. He asked me not to provide full details of the case in this paper. Basically, the woman did not bother to research the local laws when she began her Kenya operation, which resulted in financial accountability issues as well as other problems. According to my source, if the American had taken her time learning the culture and respecting the Kenyan laws, her NGO would not be in its current predicament. “Her Western attitude is not going to get her anywhere,” he commented. “She needs to understand the Kenyan side” (personal

¹¹ Name withheld to protect privacy.

communication, August 1, 2011). This woman's ethnocentricity resulted in a Kenyan court case, and a loss of millions of shillings.

A contact in Uganda agreed with the need to relocate to East Africa prior to operating a new FBO and devising an accountability process, allowing time for much-needed trust and relationships to build. He¹² recommended living in Uganda full-time for a 2-year minimum prior to starting any kind of FBO (personal communication, August 21, 2011). Other East Africans weighed in with suggested time periods ranging from one to four years. Clearly, these locals are advising that a Westerner should come and live in East Africa for an extended period of time, not just visit, before ever beginning an NGO operation.

What better way to become familiar with a new culture? Yet, many Westerners do not make the commitment to live and learn among the locals. Although much can now be done via the Internet and telephone, nothing replaces face-to-face interaction. Christians should remember that it is vitally important to spend time with the population we seek to serve, for an extended period if we wish to build trust or see any kind of transformation. Perkins (2006) stressed the importance of relocation: "If we are going to be the body of Christ, shouldn't we do as He did? He didn't commute daily from heaven to Earth to minister to us . . . No, He became flesh and lived among us" (p. 55). In living among East Africans, a Westerner should be mentored and developed by senior East African leaders. All too often a Westerner believes just the opposite: that he or she should mentor the East African. Again this is ethnocentrism. There are many outstanding, honorable leaders in East Africa from whom much can and should be learned.

¹² Name withheld to protect privacy.

Taking the time—years—to imbed in the East African context is the only way to develop real cultural competence. Time is what is needed to build trust with the local population, and trust is what is needed to begin structuring good governance and a sound financial accountability system for an FBO. An FBO is a partnership, and for a partnership to succeed there must be mutual trust. Rickett (2002) asserted, “A partnership can no more function without trust than a body can function without a brain” (p 75). Unfortunately, many East Africans struggle with mistrust due to corruption within their governments.

Dealing with Corruption

In Uganda, Yoweri Museveni has ruled for more than 25 years and his administration has been accused of corruption and repeated rigged elections. Prior to the February 2011 presidential election, Ugandan soldiers drove tanks through the cities and towns. The soldiers tried to intimidate the people via loudspeaker. One Ugandan¹³ explained, “They were telling us we must vote for Museveni” (personal communication, February 19, 2011). As expected, Museveni was reelected with a huge win in the vote count. Some voted for Museveni’s opponents, but many did not find their names on the voters’ register, so they were not allowed to vote. Many Ugandans chose not to participate at all. As one 32-year-old man admitted, “I didn’t even vote because, no matter, he always wins” (Malone & Biryabarema, 2011, p.1). The behavior associated with the 2011 presidential election is consistent with what was discussed by Dr. Robert Linthicum, founder of Partners in Urban Transformation. He pointed out that when systems become corrupt, eventually the people “begin to accept for themselves the standards the systems have built their empires upon... Exploited and oppressed by the systems, the people will become exploiters and oppressors of each other” (Linthicum, 1991, p. 330). These

¹³ Name withheld to protect privacy.

characteristics of a corrupt high-level government system seem to have a filter-down effect and may be reproduced within the governance structures of smaller organizations such as NGOs and FBOs.

One such example of oppression occurred within the Ugandan FBO I volunteered with. The FBO had received \$1,000 from a donor to pay medical school tuition for a bright young man. He had overcome many obstacles in his life and had worked hard to reach this level of education. He was eagerly awaiting delivery of the money, and begged the American FBO founder to send it directly to him. Instead, she sent the money to one of her favorite leaders, who soon reported that thugs had beaten him up when he was on his way to deliver the money to the student. He claimed the thugs had stolen the school tuition. This leader provided documented “proof” of the mugging to the FBO founder: photographs of all his injuries. The photos were phony; the leader had faked his injuries and paid another boy to photograph him and keep his secret. But the FBO founder thought the injuries were real. The medical student threw solidarity aside, took a stand against the leader, and told the FBO founder that the leader had duped her. She did not believe him. She chose to believe her favorite leader instead. The aspiring medical student¹⁴ told me that his “heart is in great pain” over the incident and that he “lost hope because of that” (personal communication, June 22, 2011). Dealing with both high-level corruption and the corrupt actions within their own organizations, it is no wonder East Africans may find it difficult to trust. The mistrust can then lead to a loss of faith in oneself. As an outsider, it is difficult to aid in a personal process to help East Africans believe that they are capable of bringing change to corrupt systems on their own. However, working side-by-side to develop a good governance structure for an FBO may result in benefits on an individual level as well.

¹⁴ Name withheld to protect privacy.

Governance

East African scholars, researchers and development workers link sound accountability with good governance (Kenya National Council of NGOs, 2001; Wanyama, 2002). But with its many connotations, the term governance remains a challenge to clearly define. In the 21st century, governance theorist Dr. John Carver and Britain's former Prime Minister Tony Blair have helped generate worldwide interest in the concept. Carver (2006) defined governance as "The job of the governing board. Sometimes used by others . . . to include the entire top leadership structure, both board and executive. Governance exists to translate informed owners' wishes into organizational performance" (p. 375). But how does a definition of governance transfer, depending on its political or social context? How should governance be considered in East Africa? In an effort to help address this issue, Blair established the Africa Governance Initiative (AGI), which aims to assist African governments "to build effective systems in their capacity to govern, thereby helping to reduce poverty through improved governance" (AGI, 2011, para. 1). Putting the focus on capacity building, Blair (2010) has pointed out that governance in Africa is much more than getting rid of corruption. He has repeatedly stressed the importance of having partnering relationships with Africans, working together to achieve effective governance (AGI, 2011).

The NGO sector recognizes that good governance of its organizations is critical in order to be seen as reputable and effective. According to the Peace Corps (2003), "Good governance is key to the growth and sustainability of nongovernmental organizations" (p. 145), and yet "Most NGOs lack effective governance" (p. 148). Certainly the importance of good governance strikes a chord for FBOs, but studies have shown that many FBOs are no more effective at good

governance than their secular counterparts (Liston, 2009). This may be due to a lack of democratic governance structures within these organizations.

Authoritarian Versus Relational Power

According to Liston (2009) an organization is considered authoritarian when it “has an appointed head; limited opportunities for contestation of office or participation in management affairs; and a highly directive management style” (p. 5). This kind of organization seems to prevail among FBOs doing work in East Africa. As one youth¹⁵ expressed concerning the American head of his FBO, “She controls all, and doesn’t use others’ ideas” (personal communication, August 26, 2010). It would seem that the authoritarian system of governance, using unilateral power, conflicts with the relational power that the Christian faith promotes (Linthicum, 2010). As discussed earlier with respect to observations by Maranz (2001), relationships are at the very heart of the East African lifestyle. Any FBO that is using unilateral power in the way it is running projects must consider changing its approach.

One emerging method that uses relational power is called the Most Significant Change (MSC) technique (Davies & Dart, 2004). It evaluates development projects using human accounts rather than other measuring devices. Its uniqueness comes through storytelling:

Essentially, the process involves the collection of significant change (SC) stories emanating from the field level, and the systematic selection of the most significant of these stories by panels of designated stakeholders or staff. The designated staff and stakeholders are initially involved by ‘searching’ for project impact. Once changes have been captured, various people sit down together, read the stories aloud and have regular and often in-depth discussions about the value

¹⁵ Name withheld to protect privacy.

of these reported changes. When the technique is implemented successfully, whole teams of people begin to focus their attention on program impact. (Davies & Dart, 2004, p. 8)

This innovative technique offers organizations operating in East Africa a context-appropriate approach to achieving accountability within FBOs, and between locals, FBOs and donors. The collection of stories from the field provides insight to community perceptions, helping an FBO to identify solutions to improve livelihoods. With this method, accountability may be documented through text instead of through numbers. This storytelling approach holds much promise and is already being used in some parts of East Africa (R. Nalugala, personal communication, July 18, 2011).

Using relational power through participatory techniques such as MSC, perhaps FBOs will become more attentive to actual local needs, and can then relay that information to Western donors. The donor can then serve the true needs of beneficiaries instead of what the outside world wants to serve. If a community is receiving the assistance they truly want and need, the pressure on a leader to reallocate funds should dissipate. While this is not a fix-all method to attain sound financial accountability, it is an example of one starting point that uses relational power when trying to find a resolution to the accountability problem. Another important way to use relational power is through the design of an effective governing board.

Board Development

The establishment of a governing board is vital to an FBO's success and as a result, successful accountability. In the policy section of Viva.org's website, a publication called "Board Development" discusses strategy in this area. However, the author's advice is geared for a Western board. One thing that is transferable across cultures: Slauenwhite (2001) made clear

that designing an effective board takes time, expertise and experience in running a successful organization. The important point is that both Westerners and East Africans must reach a mutual conclusion on what the board structure looks like to them, collectively.

For FBOs working in East Africa, there should be board members both in the Western home base as well as in East Africa. I had the interesting experience of attending a Western FBO's board meeting in Uganda. But in this case I found that the Ugandan "Board of Directors" was in power by name only. The meeting seemed to be more of a social get-together. According to one of the board members¹⁶, they only assemble whenever the American founder is in Uganda, and merely for meeting their constitutional requirements (personal communication, August 4, 2010). The founder asked the board to vote on some carefully-crafted agenda items. This is an example of what an effective governing board is *not*. No single individual should be in absolute control. A board design using relational power should replace such an authoritarian style of governance.

East Africans offered several ideas to me concerning the shaping of boards. One suggestion was that at least one well-respected community member should be on an FBO's board, perhaps a retired headmaster of a school, for example (R. Nalugala, personal communication, July 18, 2011). The subject of board term limits, cautions against favoritism and nepotism, and probationary terms also came up during my research; probation would be a way of "testing" individuals who serve on the board. East Africans also suggested frequent and strict auditing of financial documents. Again, it takes time to build up trust, and it will take time to build an effective board and governance structure.

¹⁶ Name withheld to protect privacy.

Recommendations

If financial accountability was simply a matter of making sure all the numbers add up correctly and providing those numbers to the public on an as-needed basis, recommendations for the FBO sector might be a little more straightforward. But as discussed in the preceding pages, there is much more to consider concerning financial accountability of FBOs that operate in East Africa.

Still, external stakeholders such as donors, community members, and clients have certain things they wish to see. To publicly demonstrate financial accountability and transparency, an FBO should post its most recent financial documents, such as a Form 990 or audit reports, directly on its web site. There should also be information readily available regarding the FBO's board of directors and staff members. To post a statement such as "financial documentation available upon request" is insufficient. If there is no evidence of commitment to transparency directly on the web site, the question every stakeholder should ask is "Why?"

An FBO should be listed with charity rating organizations or "watchdog" agencies, such as GuideStar (2011), Charity Navigator (2011), ECFA (2011), Charity Commission (2011) or even the local Better Business Bureau (2011). Some have specific requirements regarding nonprofit or 501(c)(3) status, and revenues, but FBOs should take the time to look into all possibilities.

Those are examples of what the Western public wants to see. But as discussed, it may be possible for an FBO to alter documentation in such a way that financial accountability appears to be intact, when in fact accountability problems exist at the core of the organization. The more difficult task is how to ensure financial accountability at the heart of the FBO.

As an outsider and Westerner, and as someone who has never lived in East Africa, it is not my place to present a list of solutions to this problem that I am only just beginning to understand. Much more research is needed in this area. Even with more first-hand or indigenous knowledge, it would be difficult to offer a one-size-fits-all solution, due to the heterogeneous nature of FBOs operating in East Africa.

However, based on research and feedback received thus far, it is clear that greater effort must be made to work in partnership with East Africans in order to come up with mutually agreeable solutions. Key areas are: the Westerner's cultural knowledge, which can be helped by relocating to East Africa for learning and competence; the participation of the indigenous population in designing and monitoring projects through techniques such as MSC; and the effective governance of projects, which can be attained by working together with East Africans to structure the staff and board of directors.

Conclusion

The importance of financial accountability is stressed in both the Western world and in East Africa as a way to achieve credibility with stakeholders and the public, and to strengthen the charitable sector as a whole. To demonstrate transparency, financial reporting of FBOs is largely done through voluntary, self-reporting measures in the West; there is little government involvement. Some believe that the charity sector "is in need of new instruments with a clearer understanding that they must be smarter, more innovative in responding to stakeholders' needs. The sector needs an overhaul that demands twenty-first century solutions" (Snyder, 2011, p. 183). This may be true. However, after researching the issues of financial accountability in an East African context, I understand that the root causes of this complex problem must be addressed. An effective governance structure must be in place, and an FBO must take the time

to create an environment of mutual respect, focusing on cross-cultural understanding, trust, and relationships.

African theologian Kwame Bediako (2004) asserted “Christianity is, among all religions, the most culturally translatable, hence the most truly universal, being able to be at home in every cultural context without injury to its essential character” (p. 32). Taking the time to build relationships in another cultural context, while keeping God at the heart of the process, should be something we do innately as Christians working for an international FBO. Sound financial accountability should then come to an FBO operating in East Africa, as a logical and natural result of the trusting relationships and successful partnerships built between Westerners and East Africans.

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